

ASX Announcement

30th September 2021

Damstra Technology

(ASX: DTC)

Damstra to Acquire TIKS Solutions

Damstra Holdings Limited (ASX:DTC) (**Damstra** or the **Company**), an Australian-based global provider of integrated workplace management solutions, today announces it has entered into a share sale agreement to acquire 100% of the shares in TIKS Solutions Pty Ltd (**TIKS**) a Sydney, Australia-based workplace safety and compliance Management company.

Key Highlights

- In FY21, TIKS generated audited revenue of \$4.1m, and was operating and free cash flow positive
- TIKS has ~70 clients predominantly in the rail, mining, facilities management, and construction sectors.
- Acquisition is in line with Damstra's strategy to pursue inorganic opportunities that provide entry into new markets, consolidate its existing markets, establish new clients and cross-selling opportunities, and deepen its product, technology, and organisational capability.
- Consideration of \$18m, consisting of \$2.5m in cash on completion of the acquisition (**Completion**), issue to vendors on Completion of \$12m in new fully paid ordinary shares in Damstra (**Shares**) at a deemed issue price of \$1 per Share, plus \$3.5m of cash deferred for 12 months; representing an acquisition multiple of 4.4x FY21 revenue.
- TIKS CEO and Founder, Sam Marciano, to take the majority of his 67.5% shareholding in TIKS in Damstra Shares escrowed for 24 months from Completion and will join the Damstra Executive Team.

TIKS (www.tiks.com.au) is a Sydney-based Software-as-a-Service (SaaS) business operating in the workforce management industry since 2011 with a team of approximately 20 staff. TIKS also has a small international footprint with clients in Canada, US, Indonesia, and Malaysia. Like Damstra, TIKS services the mining, construction, and utilities sectors, while also providing access to new verticals in facilities management, aviation, and rail. Aligned with Damstra's platform capability, TIKS provides onsite safety, security and compliance capabilities for staff, contractors, and visitors while adding functionality in areas such as permit-to-work and mobile applications. Its key products are, Assure (qualifications, competencies, work orders, and permit-to-work platform) and VMS (Visitor Management System).

TIKS generated audited revenue of \$4.14 million in FY21. In FY21, the business was free cash positive and, consequently, is not expected to negatively impact Damstra's FY22 operating cash flow. EBITDA contribution is expected to be positive although immaterial to Damstra's forecast EBITDA for FY22.

Damstra's CEO, Christian Damstra, commented: "TIKS is an exciting natural fit for Damstra that will bring further scale to our business, enhancing our leadership position in workforce management in Australia and expanding our international footprint. The business is already cash flow positive with potential for operational and co-location synergies and will bolster our product development capability. We're also excited to welcome TIKS CEO and Founder, Sam Marciano, to Damstra, who is demonstrating his commitment to the business and our long-term strategy by taking the majority of his consideration in escrowed Damstra shares."

Sam Marciano, will join the Damstra Executive Team on completion, reporting to Damstra CEO, Christian Damstra. Sam agreed to take the majority of the consideration payable for his 67.5% holding in TIKS in Damstra Shares at a deemed issue price of \$1 per Share, to be escrowed for 24 months from Completion (as set out below).

Mr Marciano commented: "I have been watching Damstra since before its listing and have a good appreciation for the team's long-term vision and how they have evolved their product positioning with the Enterprise Protection Platform. I believe combining the TIKS business with Damstra will enable accelerated growth opportunities in Australia and internationally, and along with my team I look forward to being part of the company's long-term journey."

Acquisition Consideration

Damstra will pay consideration of \$18m to the shareholders of TIKS (the **Vendors**), S & A Marciano Pty Ltd (a related party of Sam Marciano, holding 67.5% of issued capital of TIKS), (**S&A Marciano**) HB Technology Pty Ltd (**HB Technology**) and Doughswell Pty Ltd. This will comprise \$2.5 million in cash from Damstra's existing cash reserves, and the issue of Damstra Shares to the Vendors, equivalent to \$12.0 million, on Completion. The Shares will be issued at a deemed issue price of \$1 per Share, resulting in the issue of 12 million new Shares which will rank equally with existing Damstra ordinary Shares (**Completion Shares**). A further \$3.5m in cash will be paid 12 months after Completion.

The Vendors have agreed that the Completion Shares issued to S&A Marciano will be subject to voluntary escrow restrictions for 24 months from Completion, and Completion Shares issued to HB Technology will be subject to voluntary escrow restrictions for 12 months from Completion.

Additional consideration of up to \$7m may be paid to the Vendors if certain performance targets are achieved in the 12 months following Completion. This will be paid in the form of additional Damstra Shares based on the 7-day VWAP immediately prior to the Share issue (**Deferred Shares**), subject to obtaining all necessary shareholder approvals (if required). If Damstra is unable to issue the Deferred Shares to the Vendors, Damstra must pay to the Vendors the relevant cash amount.

The Vendors have agreed that Deferred Shares issued to S&A Marciano will be subject to voluntary escrow restrictions for 12 months from the date of issue, and Deferred Shares issued to HB Technology will be subject to voluntary escrow restrictions for 6 months from the date of issue.

The Completion Shares will be issued by the Company within its existing placement capacity under ASX Listing Rule 7.1. The Deferred Shares will be issued by the Company subject to obtaining all necessary shareholder approvals (if required).

An Appendix 3B in relation to the proposed issue of Completion Shares will be lodged separately today.

The acquisition is expected to complete within 2-4 weeks.

Ends

Authorised for release to ASX by the Board of Damstra Holdings.

Enquiries

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About Damstra

Damstra is a global leader in enterprise protection software. Its Enterprise Protection Platform (EPP) integrates an extensive range of modules and products that allows organisations to mitigate and reduce unforeseen and unnecessary business risks around people, workplaces, assets, and information.

Integral to the Damstra EPP, Damstra's Workforce Management, Learning Management and Connected Worker solutions combine to ensure Protected People. In creating workplaces that are Safe, Damstra's Access Control, Digital Forms and Safety Solutions are utilised. Assets are connected into operations, through integrated Asset Management enabling Asset mobilisation and offerings in RFID and IOT. And lastly Accessible Information, Reporting BI tools and Predictive Analytics are critical to ensuring customers are making the right decisions with the right information.

For more information, please visit:

<https://www.damstratechnology.com>

<https://www.linkedin.com/company/damstra-technology>

Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Forward-looking statements are based on:

- assumptions regarding the Company's financial position, business strategies, plans and objectives of management for future operations and development and the environment in which the Company will operate; and
- current views, expectations, and beliefs as at the date they are expressed, and which are subject to various risks and uncertainties.

Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guaranteeing of future performance and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Damstra. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

The Company disclaims any responsibility for the accuracy or completeness of any forward-looking statement. The Company disclaims any responsibility to update or revise any forward-looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions, or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined, or otherwise reviewed by the independent auditors of the Company.

You must not place undue reliance on these forward-looking statements.